



Director of
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EC: Unemployment Growing

//The unemployment rate in the EC has reached the double-digit level and probably will remain there through the mid-1980s.// [redacted]

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//The EC Statistical Office reports almost 12 million workers were unemployed in October, 17 percent more than a year earlier. More than one-third of the unemployed have been out of work for six months or longer, and the unemployment rate for heads of households is climbing rapidly. The unemployment rate for those under 25 is over 20 percent.// [redacted]

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Comment: //The political ramifications are becoming increasingly important to EC leaders. In 1982 the governments of Denmark, the Netherlands, Italy, and West Germany fell, mainly because of disputes over economic policy. Belgian Prime Minister Martens recently warned that democracy in Western Europe is threatened by massive unemployment.// [redacted]

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//Even if real economic growth in the EC reaches 2 or 3 percent annually over the next three years, as most economic forecasters expect, the unemployment rate will continue to hover around 10 percent. Some 2.3 million more workers will enter the labor force by 1985.// [redacted]

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//Although generous unemployment benefits have prevented serious political and social unrest, these benefits and the tax losses imposed by large-scale unemployment are placing additional strains on national budgets. With budget deficits already large, most EC governments are unwilling to embark on major new economic programs aimed at stimulating economic growth and reducing unemployment.// [redacted]

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SOUTH AFRICA: Prospects for Black Unrest

Economic and political trends could make 1983 a difficult and perhaps violent year in South Africa, ending several years of calm in racial relations.

South Africa's blacks are bearing the brunt of inflation and rising unemployment. They are being hurt most by austerity measures adopted in response to the economic slump that has gripped the country since 1981. This contrasts with the economic gains made by blacks during 1979 and 1980, when the economy grew rapidly.

//The government has instituted a tougher policy toward blacks partly to counter Conservative Party criticism of its limited racial reform proposals. Pretoria is enforcing apartheid laws more strictly and is focusing on reducing inflation, the main economic concern of white voters, while failing to take measures to alleviate the resulting black unemployment.//

Comment: As the recession continues, the economic pressures on blacks will become more severe. Local protests over economic grievances probably will increase. There already has been isolated violence and some black deaths as a result of government suppression of strikes and protests over increases in bus fares, bread prices, and rents in black townships.

//Strikes by black labor unions--whose membership has more than doubled since 1979 to well over 300,000--are occurring more frequently. Although the unions have tended to focus on workplace grievances, this could change as a result of Pretoria's indifference to the economic plight of blacks.//

The parliamentary debate on constitutional reforms that grant limited political rights to Coloreds and Asians--but not to blacks--could provide the rallying point for broader protests. The government will continue to use arrests and other measures against militant black leaders in an effort to prevent violence. It would move quickly and forcefully to quell any disturbances.

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USSR-CUBA: Soviet Naval Visit

//A Soviet naval task group consisting of a cruiser, a frigate, an oiler, and a diesel-powered submarine arrived in Havana yesterday. The visit coincides with the celebration of Cuban Armed Forces Day. [REDACTED]

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Comment: //The Soviet warships are likely to remain at Havana at least until this weekend before continuing on to Cienfuegos for a port call. They probably will conduct training exercises with the Cuban Navy. [REDACTED]

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EC: Summit Meeting

//EC leaders, who meet in Copenhagen today, almost certainly will address trade differences with the US, especially over agricultural subsidies, results of the GATT ministerial meeting, and East-West policy. They also will evaluate the EC's policy toward Poland and related trade measures in light of the release of Lech Walesa and the possible lifting of martial law. Community issues on the agenda include the internal economic situation, enlargement of the Community to include Spain and Portugal, fisheries, and increasing political cooperation.// [REDACTED]

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Comment: //No major initiatives are expected to emerge during the two-day summit. EC leaders will want to agree on a unified approach toward US-EC trade problems before meetings next week with Secretary of State Shultz and other US officials. On Poland, the Ten likely will issue a cautiously worded statement noting some progress but maintaining a wait-and-see approach before probably letting existing sanctions against the USSR lapse at the end of the month.// [REDACTED]

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POLAND: Actors' Union Abolished

The abolition on Wednesday of the Actors' Union eliminates one of the last pockets of organized resistance before the dissolution of martial law and the lifting of restrictions on most cultural groups. The move is designed to end an actors' boycott of radio and television, under way since the imposition of martial law, and bring the theater under closer government control. It follows recent threats by Deputy Premier Rakowski that uncooperative actors would be punished and a sermon on Sunday by Archbishop Glemp urging actors to return to work. [REDACTED]

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Comment: The regime's action comes at a time when the boycott appeared to be collapsing because of the economic concerns of unemployed actors, the stance of the Church, and the expected termination of martial law. Rakowski, who enjoys a liberal reputation in cultural affairs and reportedly is held in low esteem by party hardliners and the Soviets, led the campaign against the actors. Although his role will damage Rakowski's liberal credentials, it may raise his standing in the eyes of his opponents. [REDACTED]

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AUSTRALIA: Wage Freeze Proposal

//The federal government is calling for a one-year public-sector wage freeze in an effort to deal with the worsening economic situation. Canberra is seeking cooperation from the state governments as well, hoping their example will encourage private industry to limit increases.//

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Comment: //With unemployment at a 40-year high in October and inflation running at 13 percent annually, the economy has become Prime Minister Fraser's most urgent problem. He hopes his proposal will improve his government's prospects in the next federal election, which has to be called by November 1983. The premiers of five of the country's six states, including two premiers from Fraser's Liberal Party, oppose the freeze, as does organized labor. Some form of wage limitation nevertheless is likely to be arranged at a special federal-state conference on unemployment slated for next week.//

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Special Analysis

USSR-IRAN-IRAQ: Moscow's Balancing Act

Strains between Iran and the USSR have intensified since Iranian forces crossed into Iraq in July, while Soviet relations with Iraq have improved slightly. Although the USSR has tempered its criticism of Iran's attempts to invade Iraq, friction between Moscow and the fundamentalists in Tehran is likely to persist. Relations with Iraq, however, probably will not improve substantially.

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Moscow presumably will continue to oppose Iranian efforts to install a fundamentalist regime in Baghdad because such a regime almost certainly would be anti-Soviet. The Soviets remain concerned about the spread of Iranian-style fundamentalism near their southern borders. They also fear the war is prompting Iraq as well as the moderate states in the Persian Gulf region to rely more heavily on the West for political and military support.

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These concerns and Moscow's apparent conclusion that prospects for improved relations with Tehran are slim have prompted it to support the UN Security Council's call for a cease-fire, at the risk of antagonizing Iran.

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Tehran condemns the Soviet position on the war, calling attention to Moscow's arms deliveries to Iraq.

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Other Frictions With Tehran

Moscow has complained more strongly about Iran's support for Afghan insurgent forces.

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The Soviets also are irritated by the Khomeini regime's persecution of Iran's Communist party--Tudeh--and by other actions they consider anti-Soviet. Soviet

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media recently denounced the equation by Iran of Soviet policies with those of the US and decried Tehran's refusal to permit teaching Russian in Iran or to let Iranian students study in the USSR. [REDACTED]

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Both countries, however, want to prevent relations from becoming too embittered. [REDACTED]

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Despite Soviet cooperation, Baghdad remains deeply suspicious of Moscow. President Saddam Hussein recently accused the USSR of wanting Iran to win the war and of supplying it with arms. [REDACTED]

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Outlook

Soviet leaders seem relieved Iran's repeated offensives have faltered. Barring a substantial change in the military balance, Moscow probably will continue to maintain ties with both belligerents. It will avoid becoming so closely identified with Iraq that it risks a break with Iran, whose anti-US policies are still viewed by the USSR as a major gain. [REDACTED]

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The Soviets, however, apparently do not expect relations with Iran to improve as long as Khomeini retains power. A leading adviser to the Soviet party Central Committee recently published an important article reflecting Moscow's disillusionment with the Iranian revolution. He anticipates the fundamentalist Islamic clerics will remain hostile toward the USSR. [REDACTED]

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Baghdad will continue to seek political and military support from diverse sources as long as Saddam Hussein retains power. As a result, Soviet-Iraqi differences are likely to persist. [REDACTED]

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The difficulties in maintaining good relations with Iran and Iraq without alienating either will inhibit General Secretary Andropov's ability to make major policy changes. [REDACTED]

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